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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP

Chairman

GARY PIERCE

Commissioner

BRENDA BURNS

Commissioner

BOB BURNS

Commissioner

SUSAN BITTER SMITH

Commissioner

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF THE APPLICATION
OF TUCSON ELECTRIC POWER
COMPANY FOR AUTHORIZATION FOR
PPFAC RATE ADJUSTMENT.

DOCKET NO. E-01933A-12-0291

DECISION NO. 74439ORDER

Open Meeting
April 8 and 9, 2014
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Tucson Electric Power Company ("TEP") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On October 31, 2013, TEP filed its Preliminary Calculation of the Purchased Power and Fuel Adjustment Clause ("PPFAC") rate, pursuant to Decision No. 73912 (June 27, 2013). On February 3, 2014, TEP filed its updated calculations and a request for authorization for a PPFAC rate adjustment. On March 25, 2014, TEP filed revised calculations.

3. The PPFAC consists of a Forward Component and a True-up Component. The Forward Component consists of the forecasted fuel and purchased power costs for the year commencing on April 1 and ending on March 31 of the ensuing year, less the average Base Cost of Fuel and Purchased Power reflected in base rates (\$0.032335 per kWh). The True-up Component

1 reconciles any over-recovered or under-recovered amounts from the preceding PPFAC year to be
2 credited to, or recovered from, customers in the next PPFAC year.

3 4. Decision No. 73912 requires TEP to file the PPFAC rate for the upcoming year by
4 October 31 of each year and an update to the filing by February 1 of the next year. The new rate
5 goes into effect on April 1, but only after Commission approval. In its revised filing, TEP
6 requested the new rate to be effective on April 10, 2014.

7 5. The PPFAC rate charged to TEP customers is currently set at negative \$0.001388
8 per kWh, and TEP has calculated a new corrected rate of \$0.002727 per kWh (consisting of a
9 Forward Component rate of \$0.000962 per kWh and a True-up Component rate of \$0.001765 per
10 kWh) for 12 months starting in April 2014. However, to mitigate the rate impact, TEP has
11 proposed a two-step increase. The rate would be \$0.001985 per kWh starting April 10, 2014, and
12 \$0.003945 per kWh starting October 1, 2014.

13 6. Under TEP's proposal, the Forward Component rate would be set at \$0.000220 per
14 kWh and the True-up Component rate would be set at \$0.001765 per kWh, resulting in a PPFAC
15 rate of \$0.001985 per kWh for the period of April 10, 2014, through September 30, 2014.

16 7. Also under TEP's proposal, the Forward Component rate would be set at \$0.002180
17 per kWh and the True-up Component rate would be set at \$0.001765 per kWh, resulting in a
18 PPFAC rate of \$0.003945 per kWh for the period of October 1, 2014 through March 31, 2015.

19 8. Staff has reviewed the revised filing along with TEP's assumptions used in
20 developing its forecast of fuel and purchased power expenses and finds the forecast to be
21 reasonable. However, to further mitigate the rate impact, Staff proposes that the rate be set at
22 \$0.001000 per kWh starting May 1, 2014, and \$0.005000 per kWh starting October 1, 2014.

23 9. The bill impacts on residential customers of the one-step rate and the TEP and Staff
24 two-step proposals are shown in the following table.

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<i>current PPFAC rate = (0.001388) per kWh</i>	Plan of Administration Calculation	TEP's Two-Step Proposal	Staff's Two-Step Proposal
	Apr. 2014-Sep. 2014	Apr. 2014-Sep. 2014	May 2014-Sep. 2014
PPFAC rate	\$0.002727 per kWh	\$0.001985 per kWh	\$0.001000 per kWh
Average kWh usage	933 kWh	933 kWh	933 kWh
Bill impact	\$3.84 per month	\$3.15 per month	\$2.23 per month
Average monthly bill	\$102.50	\$101.81	\$100.89
	Oct. 2014-Mar. 2015	Oct. 2014-Mar. 2015	Oct. 2014-Mar. 2015
PPFAC rate	\$0.002727 per kWh	\$0.003945 per kWh	\$0.005000 per kWh
Average kWh usage	640 kWh	640 kWh	640 kWh
Bill impact	\$2.63 per month	\$3.41 per month	\$4.09 per month
Average monthly bill	\$69.15	\$69.93	\$70.60

10. Staff has recommended that the Forward Component rate be set at negative \$0.000765 per kWh and the True-up Component rate be set at \$0.001765 per kWh, resulting in a PPFAC rate of \$0.001000 per kWh for the period of May 1, 2014, through September 30, 2014.

11. Staff has also recommended that the Forward Component rate be set at \$0.003235 per kWh and the True-up Component rate would be set at \$0.001765 per kWh, resulting in a PPFAC rate of \$0.005000 per kWh for the period of October 1, 2014 through March 31, 2015.

12. Staff has further recommended that TEP provide notice (in a form acceptable to Staff) of the rate increase to customers with the bill where the rate increase first appears.

13. In addition, Staff has recommended that TEP file in Docket Control a revised Statement of Charges consistent with the Decision in this case within 15 days of the effective date of the Decision.

CONCLUSIONS OF LAW

1. TEP is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over TEP and over the subject matter of the application.

3. The Commission, having reviewed TEP's application and Staff's Memorandum dated March 28, 2014, concludes that it is in the public interest that TEP's PPFAC rate be set as discussed herein.

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ORDER

IT IS THEREFORE ORDERED that Tucson Electric Power's Forward Component rate be set at negative \$0.000765 per kWh and the True-up Component rate be set at \$0.001765 per kWh, resulting in a PPFAC rate of \$0.001000 per kWh for the period of May 1, 2014 through September 30, 2014.

IT IS FURTHER ORDERED that Tucson Electric Power's Forward Component rate be set at \$0.003235 per kWh and the True-up Component rate be set at \$0.001765 per kWh, resulting in a PPFAC rate of \$0.005000 per kWh for the period of October 1, 2014 through March 31, 2015 or until further order of the Commission.

IT IS FURTHER ORDERED that Tucson Electric Power shall provide notice (in a form acceptable to Staff) of the rate increase to customers with the bill where the rate increase first appears.

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1 IT IS FURTHER ORDERED that Tucson Electric Power shall file in Docket Control a
2 revised Statement of Charges consistent with the Decision in this case within 15 days of the
3 effective date of the Decision.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

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6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN


COMMISSIONER

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COMMISSIONER


COMMISSIONER


COMMISSIONER

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13 IN WITNESS WHEREOF, I, JODI JERICH, Executive
14 Director of the Arizona Corporation Commission, have
15 hereunto, set my hand and caused the official seal of this
16 Commission to be affixed at the Capitol, in the City of
17 Phoenix, this 18th day of April, 2014.

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JODI JERICH
19 EXECUTIVE DIRECTOR

20 DISSENT: _____

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22 DISSENT: _____

23 SMO:BEK:tdp/RRM
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SERVICE LIST FOR: TUCSON ELECTRIC POWER COMPANY
DOCKET NO. E-01933A-12-0291

Mr. Bradley S. Carroll
Tucson Electric Power Company
88 E. Broadway Blvd., MS HQE910
P.O. Box 711
Tucson, Arizona 85702

Mr. Michael W. Patten
Roshka De Wulf & Patten, PLC
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Mr. Lawrence Robertson
Post Office Box 1448
Tubac, Arizona 85646

Mr. Daniel Pozefsky
RUCO
1110 West Washington Street, Suite 220
Phoenix, Arizona 85007

Mr. C. Webb Crockett
Fennemore Craig, PC
2394 E. Camelback Road, Suite 600
Phoenix, Arizona 85016

Mr. Kevin C. Higgins
Energy Strategies, LLC
215 South State Street
Suite 200
Salt Lake City, Utah 84111

Mr. Kurt J. Boehm
Jody M. Kyler
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202

Mr. John William Moore, Jr.
7321 North 16th Street
Phoenix, Arizona 85020

Mr. Stephen J. Baron
J. Kennedy & Associates
570 Colonial Park Drive, Suite 305
Roswell, Georgia 30075

Ms. Jessica Bryne
Tucson Electric Power Company
88 E. Broadway Blvd., P.O. Box 711
Tucson, Arizona 85702

Mr. Thomas L. Mumaw
Ms. Melissa Krueger
Pinnacle West Capital Corporation
Post Office Box 53999/MS 8695
Phoenix, Arizona 85072-3999

Mr. Timothy M. Hogan
AZ Center for Law in the Public Interest
202 East McDowell Road, Suite 153
Phoenix, Arizona 85004

Mr. Jeff Schlegel
SWEEP
1167 West Samalayuca Drive
Tucson, Arizona 85704-3224

Ms. Annie Lappe
Mr. Rick Gilliam
The Vote Solar Initiative
1120 Pearl Street, Suite 200
Boulder, Colorado 80302

Mr. Nicholas J. Enoch
Jarrett J. Haskovec
Lubin & Enoch, PC
349 North Fourth Avenue
Phoenix, Arizona 85003

Mr. Travis Ritchie
Sierra Club Environmental Law Program
85 Second St., 2nd Floor
San Francisco, California 94105

1 Ms. Karen White
2 U.S. Air Force Utility Law Field Support
3 Center
4 139 Barnes Drive
5 Tyndall AFB, Florida 32403

6 Mr. Kyle Smith
7 Mr. Terrance Spann
8 U.S. Army Legal Services
9 9275 Gunston Road
10 Fort Belvoir, Virginia 22060

11 Mr. Michael Grant
12 Gallagher & Kennedy, PA
13 2575 East Camelback Road
14 Phoenix, Arizona 85016-9225

15 Mr. Gary Yaquinto
16 Arizona Investment Council
17 2100 North Central Avenue, Suite 210
18 Phoenix, Arizona 85004

19 Ms. Cynthia Zwick
20 1940 East Luke Avenue
21 Phoenix, Arizona 85016

22 Mr. Court S. Rich
23 Rose Law Group
24 6613 North Scottsdale Road, Suite 200
25 Scottsdale, Arizona 85250

26 Mr. Michael L. Neary
27 Executive Director
28 Arizona Solar Energy Industries Association
111 West Renee Drive
Phoenix, Arizona 85027

Mr. Robert J. Metli
Munger Chadwick, PLC
2398 East Camelback Road, Suite 240
Phoenix, Arizona 85012

Ms. Rachel Gold
Opower
642 Harrison Street, Floor 2
San Francisco, California 94110

Mr. Warren Woodward
55 Ross Circle
Sedona, Arizona 86336

Mr. Steven M. Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Janice M. Alward
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007